

July 1, 2013 – June 30, 2014

2014 ANNUAL REPORT



**LAWYERS' FUND FOR CLIENT PROTECTION
OF THE SUPREME COURT OF DELAWARE**
820 N. FRENCH STREET, 11TH FLOOR
WILMINGTON, DELAWARE 19801

**ANNUAL REPORT OF THE TRUSTEES OF THE LAWYERS' FUND FOR CLIENT
PROTECTION OF THE SUPREME COURT OF DELAWARE
PURSUANT TO SUPREME COURT RULE 66(c)(ii)**

The Trustees of the Lawyers' Fund for Client Protection (LFCP) hereby make the following report to the Supreme Court for July 1, 2013 through June 30, 2014.

Claims

The chart below summarizes the claims data for the period.

Lawyer	Pending as of 6/30/13		Newly Filed		Paid		Denied		Withdrawn		Pending as of 7/1/14	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
GLC	2	12,601.00			2	12,601.00						
FJR	1	4,579.00			1	4,578.79						
SMJ			13	695,000.65	10	217,935.54	2	472,965.11			1	7,400.00
CMM			3	4,266.00			1	1,306.00	1	910.00*	1	2,050.00
CMD			1	28,255.38					1	28,255.38**		
CJP			1	1,200.00			1	1,200.00				
GEC			1	1,700.00	1	1,000.00						
CTL			1	1,000.00			1	1,000.00				
BGA			1	500.00			1	500.00				
***			1	3,500.00			1	3,500.00				
Totals	3	17,180.00	22	735,422.03	14	236,115.33	7	480,471.11	2	29,165.38	2	9,450.00

*Paid by third party. **Paid by Receiver. ***Lawyer not a member of Delaware Bar.

Of the nine lawyers listed above, two have been disbarred, two are on disability/inactive and two are deceased. Most were guilty, to a greater or lesser degree, of violations of Rule 1.15 of the Delaware Lawyers' Rules of Professional Conduct (Recordkeeping).

Rule Changes

There was one rule change this year to Rule 11 of the Trustees of the Lawyers' Fund for Client Protection of the Supreme Court of Delaware. Retainers (Rule 1.5(f) and Comment) B4 17 which now provides that retainers are being deposited in the escrow account. (a) On a sample basis, trace deposits of large amount in operating account to transfer checks issued as earned fees from the escrow account. Note: (1) Attach work paper, documenting test, to completed audit program.

Compliance Audits

Approximately sixty lawyers and law firms, selected at random, were audited in the Fiscal Year July 1, 2013 through June 30, 2014. In addition to random audits, lawyers are sometimes referred for audit by the Office of Disciplinary Counsel (ODC). Audits were also performed on the books and records of lawyers who were found to be non-compliant on their Certificates of Compliance. The Certificates of Compliance are reviewed every year by the LFCP executive director.

The books and records of lawyers selected for audits were examined by the LFCP Auditor in order to determine compliance with Rule 1.15 of the Delaware Lawyers' Rules of Professional Conduct. Lawyers found to have material items of non-compliance are reported to ODC. If a re-audit is required, the cost of the re-audit becomes the responsibility of the non-compliant attorney pursuant to Rule 9(4) of the LFCP.

Of the 60 lawyers and law firms randomly audited in the period ended June 30, 2014, 29% were found to be in compliance and 71% were not in compliance. Most of the instances of non-compliance were not material and corrected without the need for further action by the LFCP or ODC. There were numerous follow-up audits, investigative audits, and forensic audits on new and ongoing matters.

Financial Statements

The LFCP financial statements for the year ended June 30, 2014, show Net Assets of \$4,826,217.00. The investment portfolio guidelines are to protect principal. The portfolio is invested 100% in U.S. Treasury Securities along with the maintenance of a pool of \$500,000 in immediately liquid assets.

Board

Currently, the following persons serve on the Board of Trustees:

<u>Trustees</u>		<u>Expiration Date</u>
Francis J. Jones, Jr. (Chair)	Lawyer Member	10/01/17
Larry Bainter	Public Member	01/07/15
Crystal L. Carey	Lawyer Member	11/29/16
Teresa A. Cheek (Secretary)	Lawyer Member	05/07/15
Margaret R. Cooper	Lawyer Member	1/18/15
David C. Hutt	Lawyer Member	10/25/17
Robert J. Leoni	Lawyer Member	1/26/17
George B. Meldrum	Public Member	6/24/17

Associate Trustees

Benjamin A. Schwartz Lawyer Member 10/25/17

The Honorable Randy J. Holland

Jennifer-Kate Aaronson, Esquire

Judith Scarborough, CPA, Master, Sidlow & Associates, P.A.

Bunny J. Christopher

TRUSTEES OF THE LAWYERS' FUND FOR CLIENT PROTECTION

FRANCIS J. JONES, JR., CHAIR

11/5/14